

**Ketchum Innovation Center**  
August 26, 2015

***From Startup to Exit  
in Five Easy Steps***

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**Congratulations!**

- You have a new app or a better mousetrap or an idea for a better, cooler “thing.”
- Now what?

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**Assumptions**

- You are in a position to monetize and commercialize (make money from) your products and services.
- You wish to do so (as opposed to an, e.g., “open source” mindset).
- Your products and services contain IP (intellectual property).
- IP is “found money.”

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### Why People Build IP Portfolios

- License It
  - Sell Parts of It
  - Offensive (Assertion) Use
  - Defensive (Shield) Use
  - Exit
- All of these affect ROI, revenue and bottom line.

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### Trolls . . .



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### What You Will be Asked in the IP Phase of Due Diligence

- Schedule out all of your IP
- Prove that you own that IP (or have rights to it)
- Show me how you have protected that IP
- Show me all the contracts you have that affect your IP
- Show me how you have monetized, or will monetize, your IP



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**In my experience, five key steps\* to remember and implement FROM THE BEGINNING of the start-up lifecycle:**

1. Form an entity
2. Identify the IP
3. Own the IP
4. Protect the IP
5. Monetize the IP

\* Patent Pending



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### 1. Form an Entity

- LLC, Corporation, Other?
- Why?
  - Limited Liability
  - Contemplates Exit Strategy or other Liquidation Event



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### 2. Identify the IP



Patents      Copyrights      Trademarks and Domain Names and SoMe      Trade Secrets



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### Patents (Identify the IP)

- What are patents? Key: STOP
- But what goes in the bucket? Inventions, formulas, know-how, trade secrets, patents, patent applications, software flow charts, business processes



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### Trademarks (Identify the IP)

- “Trademark” is not a verb.
- What are trademarks? Key: USE in COMMERCE
- What goes in the bucket? Logos, word marks, taglines, slogans, jingles, colors, smells, “look and feel.”
- Yes, domain names go in there too.
- So does your entire SoMe presence.



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### Copyrights (Identify the IP)

- Copyright is not a verb.
- What is a copyright? Keys: CREATIVE and TANGIBLE
- What goes in the bucket? Text, photos, videos, songs, screenplays, novels, drawings, websites, computer source code



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### Trade Secrets (Identify the IP)

- What is a trade secret? Key: SECRET
- What goes in the bucket? Recipes, customer lists, business methods, formulas
- Some overlap with the “Patent” bucket— that’s OK.



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### 3. Own the IP



Patents      Copyrights      Trademarks and Domain Names and SoMe      Trade Secrets

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### 3. Own the IP

- Generally, this means the LLC formed in Step # 1 needs to own the IP. Why?
- **Patent:** INVENTOR owns it: need assignment
- **Copyrights:** AUTHOR owns it: need assignment
- **Trademarks:** USER owns it: may need assignment
- **Trade Secrets:** INVENTOR/AUTHOR owns it: may need assignment

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#### 4. Protect the IP



Patents

Copyrights

Trademarks  
and  
Domain Names  
and SoMe

Trade  
Secrets

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#### Protect the IP

- Why?
  - Difficult to monetize something over which you have no control of the supply.
  - **Rhetorical question: why do cartels make money?**
- Assumes the entity owns it (Step #3).
- The IP in each bucket is protected in different ways:

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#### Patents (Protect the IP)

- Keys: TIMELY APPLICATION and ENFORCEMENT ON ISSUANCE
- Patent application (“patent pending”)
- Issued patent
- Enforcement



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### Trademarks (Protect the IP)

- Three questions should precede any brand launch:
  1. Can I use the mark without getting sued and losing?
  2. Can I register the mark with the USPTO?
  3. Can I secure the SoMe and domain name spaces around the mark?
  4. Key: PRE-LAUNCH SEARCH



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### Trademarks (Protect the IP)

- Keys: USE and REGISTRATION
- Differences between common-law marks and registered marks.



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### Trademarks (Protect the IP)

- Benefits of federal registration:
  1. Gateway to international registration
  2. Creates avenues to better address cybersquatting
  3. The key to addressing social media infringement
- Differences between common-law and registered trademarks.



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United States of America  
United States Patent and Trademark Office



Reg. No. 3,707,623  
Registered Mar. 14, 2012

Int. Cl. 41  
SERVISE MARK  
PRINCIPAL REGISTER

THE MARK CONSISTS OF THE COLOR BLUE USED ON THE ARTIFICIAL TIRE IN THE  
REARVIEW MIRROR BEHIND THE DRIVER SEAT IN THE FRONT SEAT AREA PER-  
TAINING TO THE MARK AND IS NOT CLAIMED AS A FEATURE OF THE MARK.



David J. Kappas  
Member of the United States Patent and Trademark Office

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Int. Cl. 43

Prior U.S. Cls.: 100 and 101  
United States Patent and Trademark Office  
PRINCIPAL REGISTER

Reg. No. 3,034,331  
Registered Dec. 27, 2009

NO DRAWING-SENSORY MARK

MCDONALD'S CORPORATION (DELAWARE  
CORPORATION)  
ONE MCDONALD'S PLAZA  
CHICAGO, IL 60648

THE MARK IS A SOUND MARK CONSISTING  
OF A PRE-DETERMINED PROGRESSION OF THE  
NOTES A B C E D.

RESTAURANT SERVICES IN CLASS 43  
FIRST USE 10-2002 BY COMMERCE 2-2003  
OWNER OF U.S. REG. NO. 2,996,935

SER. NO. 78,322,291, FILED 2-4-2004  
MARLENE BELL, EXAMINING ATTORNEY

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United States of America  
United States Patent and Trademark Office

NO DRAWING-SENSORY MARK

Reg. No. 4,113,191  
Registered Mar. 13, 2012

Int. Cl. 35  
SERVICE MARK  
SUPPLEMENTAL REGISTER

THE MARK CONSISTS OF A CIRCUMY SCENT OF FRAGRANCE.  
SER. NO. 84,665,825, FILED FR. 04-10-2010, AM. S.R. 1-10-2012.  
BARBARA BRITTA, EXAMINING ATTORNEY

THE MARK CONSISTS OF A CIRCUMY SCENT OF FRAGRANCE.  
SER. NO. 84,665,825, FILED FR. 04-10-2010, AM. S.R. 1-10-2012.  
BARBARA BRITTA, EXAMINING ATTORNEY



David J. Kappas  
Member of the United States Patent and Trademark Office

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**WHOIS search results for:**  
**APPLESUCKS.COM**  
 (Registered)

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Domain Name: APPLESUCKS.COM  
 Registry Domain ID: 3848526\_DOMAIN\_COM-VRSN  
 Registrar WHOIS Server: whois.godaddy.com  
 Registrar URL: http://www.godaddy.com  
 Update Date: 2014-01-02 18:57:56  
 Creation Date: 1999-02-23 00:00:00  
 Registrar Registration Expiration Date: 2015-02-23 00:00:00  
 Registrar: GoDaddy.com, LLC  
 Registrar IANA ID: 146  
 Registrar Abuse Contact Email: abuse@godaddy.com  
 Registrar Abuse Contact Phone: +1.480-624-2505  
 Domain Status: clientTransferProhibited  
 Domain Status: clientUpdateProhibited  
 Domain Status: clientRenewProhibited  
 Domain Status: clientDeleteProhibited  
 Registry Registrant ID:  
 Registrant Name: Chong Sam Lee  
 Registrant Organization:  
 Registrant Street: 160 Chancery Road, Unit 84  
 Registrant City: Markham  
 Registrant State/Province: Ontario  
 Registrant Postal Code: L6E 0B9  
 Registrant Country: Canada  
 Registrant Phone: +1.4162897297

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**Copyrights (Protect the IP)**

- Key: TIMELY REGISTRATION
- Creation, ownership and registration are all different concepts.

**HAWLEY TROXELL**

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**Trade Secrets (Protect the IP)**

- Key: KEEP IT A SECRET
- Use Non-Disclosure Agreements
- File patent applications
- Observe best practices

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## 5. Monetize the IP

- License it
- Cloud it
- Sell it
- Sell the entity (exit strategy)

**Now: let's go back to the Due Diligence slide . . .**

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## What You Will be Asked in the IP Phase of Due Diligence

- Schedule out all of your IP (Step #2)
- Prove that you own that IP (or have rights to it) (Step #3)
- Show me all the contracts you have that affect your IP (Steps #2 and 3)
- Show me how you have protected that IP (to create value = Econ 101) (Step #4)
- Show me how you have monetized, or will monetize, your IP (Step #5)



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## The elephant in the room . . .

- All this costs too much.
- I have to focus on sales and revenue.
- I need to raise VC, angel or seed money.

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## Problems: The Big Five that Impair IP Monetization

- Inability to enforce rights (the opposite of a cartel; no means to restrict access or supply); Econ 101
- Warranties of title
- Post-Close indemnification
- The Internet has diluted your value and brand
- Due Diligence failures

Do you see how each of these acts to impede monetization (including liquidity event) if the five steps are not followed?

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## Hypothetical

Stanley has an idea for a new and revolutionary technology that combines 3D printing with nanorobots to print custom, self-aware shoes that shine themselves and adjust to the contours of your feet during the day.

Stanley calls the process "Nani-Pedi."

His college roommate helped come up with the idea. Stanley gives \$5,000 to his nephew to code the print program. The nephew downloads kernels from GitHub and SourceForge. He builds the app and gives Stanley the source code via DropBox.

Stanley gives a college student \$250 to draw a logo and design a website for end users to download the code and print their shoes—Stanley also sources the printer hardware and nanorobotics-laced shoe composite.

Three months after Stanley launches, Dr. Scholl's announces a similar technology. This coincides with a DropBox data breach.

Zappos.com (of course) contacts Stanley and wants to buy the technology. They send their lawyers to Boise armed with a due diligence checklist.

Discuss.

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## Review: The Steps

1. Form an entity
2. Identify the IP
3. Own the IP
4. Protect the IP
5. Monetize the IP (Angel, License, VC, IPO, Exit and so on)

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**THANK YOU!**

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